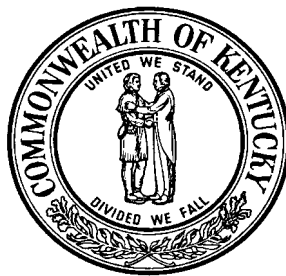


**REPORT OF THE AUDIT OF THE
EDMONSON COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2009**



**CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS
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**209 ST. CLAIR STREET
FRANKFORT, KY 40601-1817
TELEPHONE (502) 564-5841
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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Steven L. Beshear, Governor
Jonathan Miller, Secretary Finance and Administration Cabinet
Honorable N. E. Reed, Edmonson County Judge/Executive
Members of the Edmonson County Fiscal Court

The enclosed report prepared by Simon, Underwood & Associates PSC, presents the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Edmonson County, Kentucky, as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements.

We engaged Simon, Underwood & Associates PSC, to perform the audit of these financial statements. We worked closely with the firm during our report review process; Simon, Underwood & Associates PSC evaluated the Edmonson County's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen".

Crit Luallen
Auditor of Public Accounts

Enclosure



EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE
EDMONSON COUNTY FISCAL COURT

June 30, 2009

Simon, Underwood & Associates PSC has completed the audit of the Edmonson County Fiscal Court for fiscal year ended June 30, 2009. We have issued an unqualified opinion on the governmental activities, business-type activities, each major fund, and aggregate remaining fund information.

Financial Condition:

The fiscal court had net assets of \$5,951,813 as of June 30, 2009. The fiscal court had unrestricted net assets of \$1,493,078 in its governmental activities as of June 30, 2009, with total net assets of \$5,738,351. In its business-type activities, total net cash and cash equivalents were \$182 with total net assets of \$213,462. The fiscal court had total debt principal as of June 30, 2009 of \$900,000 with \$65,000 due within the next year.

Deposits:

The fiscal court's deposits were insured and collateralized by bank securities and bonds.

CONTENTS

	PAGE
INDEPENDENT AUDITOR’S REPORT.....	1
EDMONSON COUNTY OFFICIALS.....	3
MANAGEMENT’S DISCUSSION AND ANALYSIS	4
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS.....	15
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS	18
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS	23
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS	27
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS	31
STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS	35
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS	39
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS.....	43
NOTES TO FINANCIAL STATEMENTS	45
BUDGETARY COMPARISON SCHEDULES - MAJOR FUNDS	59
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION	64
COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS.....	67
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS	71
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	75
APPENDIX A:	
CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM	



*Simon,
Underwood &
Associates* PSC

Certified Public Accountants and Consultants

To the People of Kentucky
Honorable Steven L. Beshear, Governor
Jonathan Miller, Secretary
Finance and Administration Cabinet
Honorable N. E. Reed, Edmonson County Judge/Executive
Members of the Edmonson County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Edmonson County, Kentucky, as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Edmonson County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, Edmonson County, Kentucky, prepares its financial statements in accordance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Edmonson County, Kentucky, as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

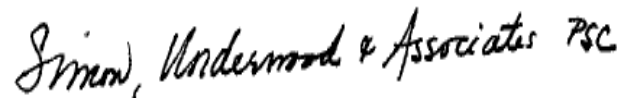
The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

To the People of Kentucky
Honorable Steven L. Beshear, Governor
Jonathan Miller, Secretary
Finance and Administration Cabinet
Honorable N. E. Reed, Edmonson County Judge/Executive
Members of the Edmonson County Fiscal Court

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Edmonson County, Kentucky's basic financial statements. The accompanying combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation of the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated January 31, 2010 on our consideration of Edmonson County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Respectfully submitted,

A handwritten signature in black ink that reads "Simon, Underwood & Associates PSC". The signature is written in a cursive, flowing style.

Simon, Underwood & Associates PSC

January 31, 2010

EDMONSON COUNTY OFFICIALS

For The Year Ended June 30, 2009

Fiscal Court Members:

N. E. Reed	County Judge/Executive
Arnold Graham	Magistrate
Willie Lindsey	Magistrate
Arthur "Tom" Wilkerson	Magistrate
Charles "Edd" Rich	Magistrate
Johnny Brooks	Magistrate
Neil Vincent	Magistrate

Other Elected Officials:

Gregory Royce Vincent	County Attorney
Bruce Logsdon	Jailer
Larry "Butch" Carroll	County Clerk
Sharon French	Circuit Court Clerk
Mike Vincent	Sheriff
Kyle White	Property Valuation Administrator
Ed Minyard	Coroner

Appointed Personnel:

Betty Ann Bullock	County Treasurer
Margret Skaggs	Finance Officer



Management's Discussion and Analysis June 30, 2009

The financial management of Edmonson County, Kentucky offers readers of Edmonson County's financial statements this narrative overview and analysis of the financial activities of Edmonson County for the fiscal year ended June 30, 2009. We encourage readers to consider the information presented in conjunction with other information that we have furnished in our letter of transmission and notes to the financial statements.

Financial Highlights:

- Edmonson County had net assets of \$5,951,813 as of June 30, 2009. The fiscal court had unrestricted net assets of \$1,493,078 in the governmental funds as of June 30, 2009, with total net assets of \$5,738,351. In the enterprise fund, cash, and cash equivalents were \$182 with total net assets of \$213,462. Total debt principal as of June 30, 2009 was \$900,000 with \$65,000 due within one year.
- The governmental fund's total net assets increased by \$320,917 from the prior year.
- At the close of the current fiscal year, Edmonson County governmental funds reported current assets of \$1,493,078. Of this amount, \$1,493,078 is available for spending at the government's discretion (unreserved fund balance).
- Edmonson County's total indebtedness at the close of fiscal year June 30, 2009 was \$900,000 of which \$835,000 is long-term debt (due after 1 year) and \$65,000 is short-term debt (to be paid within 1 year). Debt additions were \$276,050 for short-term debt due to KARP. Debt reductions were \$60,000 due to bond payments, for a net decrease of \$60,000 for the year.

Overview of the Financial Statements:

This management discussion and analysis is intended to serve as an introduction to Edmonson County's basic financial statements. Edmonson County's basic financial statements are comprised of three components: (1) government wide financial statements, (2) fund financial statements, and (3) notes to financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

GASB 34 requires management to include certain comparison schedules when they are available. The schedules include prior and current comparisons of general revenues by major source, and program expenses by function.

Edmonson County
Management's Discussion and Analysis
June 30, 2009
(Continued)

Government-wide Financial Statements:

The government-wide financial statements are designed to provide readers with a broad overview of Edmonson County's finances, in a manner similar to a private-sector business.

The *Statement of Net Assets* presents information on all of Edmonson County's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Edmonson County is improving or deteriorating.

The *Statement of Activities* presents information showing how the government's net assets changed during the fiscal year. All changes in net assets are reported on a modified cash basis of accounting. Basis of accounting is a reference to when financial events are recorded, such as timing for recognizing revenues, and related assets and liabilities.

Under the county's modified cash basis of accounting, revenues and expenses and related assets and liabilities are recorded when they result from a cash transaction, except for the recording of depreciation expense on capital assets in the government-wide financial statements for all activities and in the fund financial statements for the proprietary fund financial statements.

As a result of the use of the modified cash basis of accounting, certain assets and their related revenues (such as amounts billed for services provided, but not collected) and accounts payable (expenses for goods and services received but not paid) or compensated absences are not recorded.

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). Edmonson County's governmental activities include general government, protection to persons and property, roads, recreation, social services, debt service, and general health and sanitation. Edmonson County has one business type activity – Public Properties Corporation which is the Courthouse Annex Bonds.

Fund Financial Statements:

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Edmonson County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Edmonson County can be divided into three broad categories: *governmental funds*, *proprietary funds*, and *fiduciary funds*.

Governmental Funds:

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's current financing requirements.

**Edmonson County
Management's Discussion and Analysis
June 30, 2009
(Continued)**

Governmental Funds: (Continued)

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government – wide financial statements. By doing so, readers may better understand the long-term impact of the government's current financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Edmonson County maintains (7) seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances.

Major Funds:

- General Fund
- Road Fund
- E-911 Fund

Non-major Funds:

- Jail Fund
- Local Government Economic Assistance Fund (LGEA)
- Community Development Block Grant Fund (CDBG)
- Parks and Recreation Fund

Edmonson County adopts an annual appropriated budget for its major governmental funds. A budgetary comparison statement has been provided for each of the major funds to demonstrate compliance with their budgets.

Proprietary Funds:

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Public Properties Corporation Fund.

Fiduciary Funds Financial Statements:

These funds are used to account for resources held for custodial purposes. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the programs of the County. The accounting used for fiduciary funds is much like that used for proprietary funds. The County's fiduciary fund is the Room Tax Fund.

Notes to the Financial Statements:

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Edmonson County
Management's Discussion and Analysis
June 30, 2009
(Continued)

Financial Analysis Of The County As A Whole:

Net Assets: As noted earlier, net assets may serve over time as a useful indicator of a government's financial position.

TABLE 1
EDMONSON COUNTY'S NET ASSETS

	Governmental Activities		Business-type Activities		Total	
	2008	2009	2008	2009	2008	2009
Assets						
Current and other assets	\$ 1,398,602	\$ 1,493,078	\$ 174	\$ 182	\$ 1,398,776	\$ 1,493,260
Net Capital Assets	<u>4,018,832</u>	<u>4,245,273</u>	<u>1,138,840</u>	<u>1,113,280</u>	<u>5,157,672</u>	<u>5,358,553</u>
Total Assets	<u>\$ 5,417,434</u>	<u>\$ 5,738,351</u>	<u>\$ 1,139,014</u>	<u>\$ 1,113,462</u>	<u>\$ 6,556,448</u>	<u>\$ 6,851,813</u>
Liabilities						
Current and other Liabilities	\$	\$	\$ 60,000	\$ 65,000	\$ 60,000	\$ 65,000
Long-term Liabilities			<u>900,000</u>	<u>835,000</u>	<u>900,000</u>	<u>835,000</u>
Total Liabilities	<u>\$</u>	<u>\$</u>	<u>\$ 960,000</u>	<u>\$ 900,000</u>	<u>\$ 960,000</u>	<u>\$ 900,000</u>
Net Assets						
Invested in Capital Assets, Net of Related Debt	\$ 4,018,832	\$ 4,245,273	\$ 178,840	\$	\$ 4,197,672	\$ 4,245,273
Restricted				213,280		213,280
Unrestricted	<u>1,398,602</u>	<u>1,493,078</u>	<u>174</u>	<u>182</u>	<u>1,398,602</u>	<u>1,493,260</u>
Total Net Assets	<u>\$ 5,417,434</u>	<u>\$ 5,738,351</u>	<u>\$ 179,014</u>	<u>\$ 213,462</u>	<u>\$ 5,596,274</u>	<u>\$ 5,951,813</u>

Edmonson County
Management's Discussion and Analysis
June 30, 2009
(Continued)

Financial Analysis Of The County As A Whole (Continued):

Changes in Net Assets:

TABLE 2
EDMONSON COUNTY'S CHANGE IN NET ASSETS

	Governmental Activities		Business-type Activities		Total	
	2008	2009	2008	2009	2008	2009
Program Revenues						
Charges for Services	\$ 98,432	\$ 48,318	\$ 98,453	\$ 96,952	\$ 196,885	\$ 145,270
Grants & Contributions	3,476,599	2,184,453			3,476,599	2,184,453
General Revenues						
Taxes	868,469	1,047,805			868,469	1,047,805
Miscellaneous & Other	241,357	208,636	46	9	241,403	208,645
Total Revenue	<u>\$ 4,684,857</u>	<u>\$ 3,489,212</u>	<u>\$ 98,499</u>	<u>\$ 96,961</u>	<u>\$ 4,783,356</u>	<u>\$ 3,586,173</u>
Expenses						
General Government	\$ 1,220,886	\$ 1,341,549	\$	\$	\$ 1,220,886	\$ 1,341,549
Protection to Persons & Property	363,545	446,921			363,545	446,921
General Health and Sanitation	178,777	245,252			178,777	245,252
Social Services	7,100	6,900			7,100	6,900
Recreation and Culture	196,902	192,129			196,902	192,129
Roads	772,174	924,640			772,174	924,640
Debt Service	329,043	12,904			329,043	12,904
Public Properties Corporation			64,013	62,513	64,013	62,513
Total Expenses	<u>\$ 3,068,427</u>	<u>\$ 3,170,295</u>	<u>\$ 64,013</u>	<u>\$ 62,513</u>	<u>\$ 3,132,440</u>	<u>\$ 3,232,808</u>
Change In Net Assets	\$ 1,616,430	\$ 318,917	\$ 34,486	\$ 34,448	\$ 1,650,916	\$ 353,365
Net Assets - Beginning (Restated)	<u>3,801,004</u>	<u>5,419,434</u>	<u>144,528</u>	<u>179,014</u>	<u>3,945,532</u>	<u>5,598,448</u>
Net Assets - Ending	<u>\$ 5,417,434</u>	<u>\$ 5,738,351</u>	<u>\$ 179,014</u>	<u>\$ 213,462</u>	<u>\$ 5,596,448</u>	<u>\$ 5,951,813</u>

**Edmonson County
Management's Discussion and Analysis
June 30, 2009
(Continued)**

Changes in Net Assets:

Governmental Activities. Edmonson County's net assets increased by \$320,917 in fiscal year 2009. Key elements of this are as follows:

- The County provided new equipment for the new library/technology center combination building for an increase in capital assets of \$228,000 dollars.

Financial Analysis of County's Funds:

As noted earlier, Edmonson County uses fund accounting to ensure and demonstrate compliance with finance-related requirements.

Governmental Funds Overview:

The focus of Edmonson County governmental funds is to provide information on current inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of June 2009, fiscal year, the combined ending fund balances of County governmental funds were \$1,493,078. Approximately 91% (\$1,368,380) of this consists of unreserved fund balance, which is available as working capital and for current spending in accordance with the purposes of the specific funds. The remainder of fund balance (\$124,698) is reserved to indicate that it is not available for new spending because it is committed for the various encumbrances.

The County has (3) three major governmental and (4) four non-major funds.

Major Funds:

- General Fund
- Road Fund
- E-911 Fund

Non-major Funds:

-
- Jail Fund
- Local Government Economic Assistance Fund
- Community Development Block Grant (CDBG)
- Parks and Recreation Fund

1. The General Fund is the chief operating fund of Edmonson County. At the end of June 30, 2009 fiscal year, unreserved fund balance of the General Fund was \$828,440. The County received \$949,391 in real and personal property, motor vehicle, and other taxes for approximately 50% of the county's general revenues. Intergovernmental revenues and various other service fees and miscellaneous revenues contribute to the remaining 50% of revenues. The General Fund expenditures for fiscal year 2009 were \$1,978,004.
2. The Road Fund is the fund related to County road construction and maintenance. The Road Fund had a \$400,255 fund balance at June 30, 2009. The fiscal year 2009 expenditures for the Road Fund were \$1,310,861. Expenditures decreased due to the decrease in roads paved.

**Edmonson County
Management's Discussion and Analysis
June 30, 2009
(Continued)**

Financial Analysis of County's Funds:

Governmental Funds Overview: (Continued)

3. The E-911 Fund is used to receive monies from surcharges taxes for Commercial Mobile Radio Systems (CMRS). The E-911 Fund received \$98,415 from surcharge taxes. Expenditures for the fiscal year 2009 were \$13,000.
4. The Jail Fund is used to pay for expenses pertaining to our prisoners such as, housing, medical bills, transportation, and various supporting expenses. The Jail Fund received \$79,629 from State allotments; court costs, DUI, and bond acceptance fees; and \$12,346 from prisoner reimbursements. The General Fund also contributed \$60,000 to the Jail Fund. Expenditures for the fiscal year 2009 were \$150,873. Expenditures decreased due to the reduced cost of housing prisoners and prisoner medical services.
5. The Local Government Economic Assistance Fund (LGEA) is money received from mineral severance tax and distributed to the counties by the State Treasury. These funds can only be spent for specific purposes set forth by the state. The Local Government Economic Assistance Fund had a fund balance of \$19,790 as of June 30, 2009. The county received \$33,659 from Mineral Severance and \$212 from interest.
6. The Community Development Block Grant Fund (CDBG) Fund had a balance of \$57,777 as of June 30, 2009. These funds were recaptured from a CDBG loan to Whitewood Industries located in Edmonson County. These funds are restricted to approved Industrial Development projects.
7. The Parks and Recreation Fund is used to pay expenses pertaining to our recreational parks. The Parks and Recreation Fund had a balance of \$4,568 as of June 30, 2009. This fund is supported by revenues received from a Recreation Tax. The revenues from this tax are managed by the Recreation Tax Commission. We also have received several grants which have allowed us to make huge improvements to our parks. The decrease in the year-end balance is due to ongoing grant projects.

Proprietary Funds Overview:

The Public Properties Corporation (PPC) is our only Proprietary Fund. The PPC was set up to handle the bonds sold to generate the funds for the construction of the Courthouse Annex. The Association of Counties (AOC) makes all payments to this fund, and no county funds are used to pay off this debt. These bonds are due to be paid off in 2023. The principal debt owed on these bonds as of June 30, 2009 was \$900,000.

General Fund Budgetary Highlights:

Edmonson County's budget was amended during the fiscal year increasing the General Fund budgeted amount by \$523,045. The amendments included \$487,045 in grants and \$36,000 tax receipt increase.

The General Fund ended the year with \$828,440 which is a decrease of \$70,274 from the 2008 fiscal year end balance. This was due to establishing the E-911 Fund as a separate fund.

Edmonson County
Management's Discussion and Analysis
June 30, 2009
(Continued)

Capital Assets and Debt Administration

Capital Assets:

Edmonson County's investment in capital assets for its government and business type activities as of June 30, 2009, amount to \$5,358,553 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements to land other than buildings, machinery and equipment, vehicles, current infrastructure additions, and construction in progress for park improvements. Edmonson County has elected to report infrastructure assets per GASB 34 provisions.

Additional information of the County's capital assets can be found in Note 5 of this report.

TABLE 3
EDMONSON COUNTY'S CAPITAL ASSETS,
NET OF ACCUMULATED DEPRECIATION

	Governmental Activities		Business-type Activities		Total	
	2008	2009	2008	2009	2008	2009
Assets						
Infrastructure Assets	\$ 713,586	\$ 793,074	\$	\$	\$ 713,586	\$ 793,074
Land and Land Improvements	602,269	632,269			602,269	632,269
Construction In Progress	45,327	71,352			45,327	71,352
Buildings	1,973,026	1,923,066	1,138,840	1,113,280	3,111,866	3,036,346
Vehicles & Equip.		771,512				771,512
Other Equip.	684,624	54,000			684,624	54,000
Total Net Capital Assets	\$ 4,018,832	\$ 4,245,273	\$ 1,138,840	\$ 1,113,280	\$ 5,157,672	\$ 5,358,553

Long-Term Debt:

At the end of the 2009 fiscal year, Edmonson County had total bonded debt outstanding of \$900,000 from Courthouse Annex Bonds (PPC).

Other Matters:

The following factors are expected to have a significant effect on the County's financial position or results of operations and were taken into account in developing the 2009 fiscal year budget:

- The 2009 fiscal year adopted budget continues most services at current levels.
- The Jail Fund costs were considered when preparing the budget, and health, liability, and worker's comp insurance premiums continue to cause concerns.
- The Industrial Park is still showing signs of economic growth for the County. The County completed a new library/technology center combination building in July of 2008, which will help train our workforce.
- The County continues to be a Drug Task Force partner with Barren County this year.
- As a small county, Edmonson County has been able to grow and maintain the same level of services even though we do not have an insurance or occupational tax.

Edmonson County
Management's Discussion and Analysis
June 30, 2009
(Continued)

Requests for Information:

The financial report is designed to provide a general overview of Edmonson County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this or requests for additional information should be addressed to the Edmonson County Treasurer, P.O. Box 353, Brownsville, Ky. 42210.

EDMONSON COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2009

EDMONSON COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2009

	Primary Government		
	Governmental	Business-Type	
	Activities	Activities	Totals
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 1,493,078	\$ 182	\$ 1,493,260
Total Current Assets	1,493,078	182	1,493,260
Noncurrent Assets:			
Capital Assets - Net of Accumulated Depreciation			
Construction In Progress	71,352		71,352
Land and Land Improvements	632,269		632,269
Buildings	1,923,066	1,113,280	3,036,346
Vehicles and Equipment	771,512		771,512
Other Equipment	54,000		54,000
Infrastructure	793,074		793,074
Total Noncurrent Assets	4,245,273	1,113,280	5,358,553
Total Assets	5,738,351	1,113,462	6,851,813
LIABILITIES			
Current Liabilities:			
Bonds Payable		65,000	65,000
Total Current Liabilities		65,000	65,000
Noncurrent Liabilities:			
Bonds Payable		835,000	835,000
Total Noncurrent Liabilities		835,000	835,000
Total Liabilities		900,000	900,000
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	4,245,273	213,280	4,458,553
Restricted For:			
Debt Service		182	182
Unrestricted	1,493,078		1,493,078
Total Net Assets	\$ 5,738,351	\$ 213,462	\$ 5,951,813

The accompanying notes are an integral part of the financial statements.

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EDMONSON COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2009

EDMONSON COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

Functions/Programs	Expenses	Program Revenues Received		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 1,341,549	\$ 3,830	\$ 604,150	\$ 248,000
Protection to Persons and Property	446,921	27,331	93,396	
General Health and Sanitation	245,252			
Social Services	6,900			
Recreation and Culture	192,129	17,157		
Roads	924,640		997,842	241,065
Interest On Financing Obligations	12,904			
Total Governmental Activities	3,170,295	48,318	1,695,388	489,065
Business-type Activities:				
Public Properties Corporation	62,513	96,952		
Total Business-type Activities	62,513	96,952		
Total Primary Government	\$ 3,232,808	\$ 145,270	\$ 1,695,388	\$ 489,065

General Revenues:

Taxes:

Real and Personal Property Taxes

Motor Vehicle Taxes

Other Taxes

In Lieu Of Tax Payments

Miscellaneous Revenues

Reimbursements

Investment Income

Total General Revenues

Change in Net Assets

Net Assets - Beginning (Restated)

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

EDMONSON COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2009
(Continued)

Net (Expenses) Revenues and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-Type Activities	Totals
\$ (485,569)	\$	\$ (485,569)
(326,194)		(326,194)
(245,252)		(245,252)
(6,900)		(6,900)
(174,972)		(174,972)
314,267		314,267
(12,904)		(12,904)
(937,524)		(937,524)
	34,439	34,439
	34,439	34,439
\$ (937,524)	\$ 34,439	\$ (903,085)
510,689		510,689
99,449		99,449
287,345		287,345
150,322		150,322
30,283		30,283
123,202		123,202
55,151	9	55,160
1,256,441	9	1,256,450
318,917	34,448	353,365
5,419,434	179,014	5,598,448
\$ 5,738,351	\$ 213,462	\$ 5,951,813

The accompanying notes are an integral part of the financial statements.

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EDMONSON COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2009

EDMONSON COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2009

	General Fund	Road Fund	E-911 Fund	Non- Major Governmental Funds	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 828,440	\$ 400,255	\$ 170,075	\$ 94,308	\$ 1,493,078
Total Assets	<u>828,440</u>	<u>400,255</u>	<u>170,075</u>	<u>94,308</u>	<u>1,493,078</u>
FUND BALANCES					
Reserved for:					
Encumbrances	83,094	35,115		6,489	124,698
Unreserved:					
General Fund	745,346				745,346
Special Revenue Funds		365,140	170,075	87,819	623,034
Total Fund Balances	<u>\$ 828,440</u>	<u>\$ 400,255</u>	<u>\$ 170,075</u>	<u>\$ 94,308</u>	<u>\$ 1,493,078</u>

Reconciliation of the Balance Sheet - Governmental Funds to Statement of Net Assets:

Total Fund Balances	\$ 1,493,078
Amounts Reported For Governmental Activities In The Statement	
Of Net Assets Are Different Because:	
Capital Assets Used in Governmental Activities Are Not Financial Resources	
And Therefore Are Not Reported in the Governmental Funds.	5,405,179
Accumulated Depreciation	<u>(1,159,906)</u>
Net Assets Of Governmental Activities	<u>\$ 5,738,351</u>

The accompanying notes are an integral part of the financial statements.

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EDMONSON COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

EDMONSON COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

	General Fund	Road Fund	E-911 Fund	Non- Major Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 729,324	\$	\$ 98,415	\$	\$ 827,739
In Lieu Tax Payments	150,322				150,322
Excess Fees	44,302				44,302
Licenses and Permits	25,443				25,443
Intergovernmental	780,185	1,238,907		200,894	2,219,986
Charges for Services	13,434			12,346	25,780
Miscellaneous	95,422	7,102		37,965	140,489
Interest	34,377	16,244	2,166	2,364	55,151
Total Revenues	<u>1,872,809</u>	<u>1,262,253</u>	<u>100,581</u>	<u>253,569</u>	<u>3,489,212</u>
EXPENDITURES					
General Government	1,292,487				1,292,487
Protection to Persons and Property	166,126		13,000	143,825	322,951
General Health and Sanitation	229,538			11,300	240,838
Social Services				6,900	6,900
Recreation and Culture	80,667			206,647	287,314
Roads		898,813			898,813
Debt Service		321,899			321,899
Administration	209,186	90,149		7,048	306,383
Total Expenditures	<u>1,978,004</u>	<u>1,310,861</u>	<u>13,000</u>	<u>375,720</u>	<u>3,677,585</u>
Excess (Deficiency) of Revenues					
Expenditures Before Other					
Financing Sources (Uses)	<u>(105,195)</u>	<u>(48,608)</u>	<u>87,581</u>	<u>(122,151)</u>	<u>(188,373)</u>
Other Financing Sources (Uses)					
Transfers From Other Funds	208,767			93,351	302,118
Transfers To Other Funds	(93,352)	(208,766)			(302,118)
Proceeds From Sale Of Asset					
Held For Resale		280,849			280,849
Total Other Financing Sources (Uses)	<u>115,415</u>	<u>72,083</u>		<u>93,351</u>	<u>280,849</u>
Net Change in Fund Balances	10,220	23,475	87,581	(28,800)	92,476
Fund Balances - Beginning (Restated)	<u>818,220</u>	<u>376,780</u>	<u>82,494</u>	<u>123,108</u>	<u>1,400,602</u>
Fund Balances - Ending	<u>\$ 828,440</u>	<u>\$ 400,255</u>	<u>\$ 170,075</u>	<u>\$ 94,308</u>	<u>\$ 1,493,078</u>

The accompanying notes are an integral part of the financial statements.

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**EDMONSON COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

For The Year Ended June 30, 2009

EDMONSON COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

Net Change in Fund Balances - Total Governmental Funds	\$ 92,476
Amounts Reported for Governmental Activities in the Statement of Activities Are Different Because:	
Governmental Funds Report Capital Outlays as Expenditures. However, in the Statement of Activities the Cost of Those Assets Is Allocated Over Their Estimated Useful Lives and Reported as Depreciation Expense.	
Capital Outlay	428,505
Depreciation Expense	(196,812)
Book Value of Disposed Capital Assets	(5,252)
Value Of Asset Held For Resale Sold	(308,995)
The Issuance of Short-term Debt (e.g. Financing Obligations) Provides Current Financial Resources to Governmental Funds, While Repayment of Principal on Short-term and Long-term Debt Consumes the Current Financial Resources of Governmental Funds. These Transactions, However, Have No Effect on Net Assets.	
Financing Obligations Principal Payments	<u>308,995</u>
Change in Net Assets of Governmental Activities	<u><u>\$ 318,917</u></u>

The accompanying notes are an integral part of the financial statements.

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EDMONSON COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2009

EDMONSON COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2009

	Business-Type Activity <hr/> Enterprise Fund <hr/> Public Properties Corporation Fund <hr/>
Assets	
Current Assets:	
Cash and Cash Equivalents	\$ 182
Total Current Assets	<u>182</u>
Noncurrent Assets:	
Capital Assets:	
Buildings	1,420,000
Less Accumulated Depreciation	<u>(306,720)</u>
Total Noncurrent Assets	<u>1,113,280</u>
Total Assets	<u>1,113,462</u>
Liabilities	
Current Liabilities:	
Bonds Payable	<u>65,000</u>
Total Current Liabilities	<u>65,000</u>
Noncurrent Liabilities:	
Bonds Payable	<u>835,000</u>
Total Noncurrent Liabilities	<u>835,000</u>
Total Liabilities	<u>900,000</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	213,280
Restricted For: Debt Service	<u>182</u>
Total Net Assets	<u><u>\$ 213,462</u></u>

The accompanying notes are an integral part of the financial statements.

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EDMONSON COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

EDMONSON COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

	Business-Type Activity
	Enterprise Fund
	Public Properties Corporation Fund
Operating Revenues	
Rental Income	\$ 96,952
Total Operating Revenues	<u>96,952</u>
Operating Expenses	
Depreciation	<u>25,560</u>
Total Operating Expenses	<u>25,560</u>
Operating Income	<u>71,392</u>
Nonoperating Revenues (Expenses)	
Investment Income	9
Debt Service:	
Interest Payments	<u>(36,953)</u>
Total Nonoperating Revenues (Expenses)	<u>(36,944)</u>
Change In Net Assets	34,448
Total Net Assets - Beginning	<u>179,014</u>
Total Net Assets - Ending	<u><u>\$ 213,462</u></u>

The accompanying notes are an integral part of the financial statements.

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EDMONSON COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

EDMONSON COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

	Business-Type Activity <hr/> Enterprise Fund <hr/> Public Properties Corporation Fund <hr/>
Cash Flows From Operating Activities	
Rental Income	\$ 96,952
Net Cash Provided By Operating Activities	<hr/> 96,952 <hr/>
Cash Flows From Capital and Related Financing Activities	
Principal Paid On Capital Debt	(60,000)
Interest Paid On Capital Debt	<hr/> (36,953) <hr/>
Net Cash Used By Capital and Related Financing Activities	<hr/> (96,953) <hr/>
Cash Flows From Investing Activities	
Dividends Earned	9
Net Cash Provided By Investing Activities	<hr/> 9 <hr/>
Net Increase in Cash and Cash Equivalents	8
Cash and Cash Equivalents - July 1, 2008	<hr/> 174 <hr/>
Cash and Cash Equivalents - June 30, 2009	<hr/> <hr/> \$ 182 <hr/> <hr/>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income	\$ 71,392
Adjustments to Reconcile Operating Income To Net Cash Provided By Operating Activities	
Depreciation Expense	<hr/> 25,560 <hr/>
Net Cash Provided By Operating Activities	<hr/> <hr/> \$ 96,952 <hr/> <hr/>

The accompanying notes are an integral part of the financial statements.

**INDEX FOR NOTES
TO THE FINANCIAL STATEMENTS**

NOTE 1.	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	45
NOTE 2.	DEPOSITS	51
NOTE 3.	ASSETS HELD FOR RESALE.....	51
NOTE 4.	CAPITAL ASSETS.....	52
NOTE 5.	SHORT-TERM DEBT.....	53
NOTE 6.	LONG-TERM DEBT	54
NOTE 7.	EMPLOYEE RETIREMENT SYSTEM.....	55
NOTE 8.	DEFERRED COMPENSATION	56
NOTE 9.	INSURANCE	56
NOTE 10.	PRIOR PERIOD ADJUSTMENT.....	56

EDMONSON COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The county presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Receivables are recognized on the Statement of Net Assets, but receivables are not included and recognized on Balance Sheet - Governmental Funds. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances).

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however, the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

B. Reporting Entity

The financial statements of Edmonson County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. The county has no discretely presented component units

Blended Component Unit

Edmonson County Public Properties Corporation

Fiscal Court has the authority to appoint a voting majority of the Public Properties Corporation's (PPC) Board of Directors. Fiscal Court also has the ability to approve or modify the PPC's budget, approve or modify rate or fee changes affecting revenues, veto, overrule, or modify decisions of the Board of Directors, or otherwise impose its will on the PPC. In addition, Fiscal Court is financially accountable for the PPC, legally entitled to the PPC's resources, as well as legally obligated for the PPC's debt. Financial information for the PPC is blended within Edmonson County's financial statements. All activities of the PPC are accounted for within a major enterprise fund.

EDMONSON COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Reporting Entity (Continued)

Kentucky law provides for election of the officials below from the geographic area constituting Edmonson County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities, and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

Additional Edmonson County Elected Officials

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

C. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services. Fiduciary funds are not included in these financial statements due to the unavailability of fiduciary funds to aid in the support of government programs.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

EDMONSON COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Government-wide and Fund Financial Statements (Continued)

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to lien and sale the 3rd Saturday in April following the delinquency date.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds and proprietary funds. A separate financial statement is not provided for fiduciary funds, since assets and liabilities were \$0 as of June 30, 2009. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

Governmental Funds

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the Fiscal Court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck license distribution, municipal road aid, and transportation grants. The Department for Local Government requires the Fiscal Court to maintain these receipts and expenditures separately from the General Fund.

E-911 Fund - This fund is for emergency 911 communications. The primary source of revenue for this fund is surcharge taxes for Commercial Mobile Radio Systems (CMRS). The state distributes CMRS monies to counties to supplement 911 operations. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

The primary government also has the following non-major funds: Jail Fund, Local Government Economic Assistance Fund, Community Development Block Grant Fund, and Parks and Recreation Fund.

Special Revenue Funds:

The Road Fund, Jail Fund, Local Government Economic Assistance Fund, Community Development Block Grant Fund, Parks and Recreation Fund and E-911 Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

EDMONSON COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Government-wide and Fund Financial Statements (Continued)

Proprietary Fund

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenue of the county's enterprise fund is charges for rent in the Edmonson County Public Properties Corporation Fund. Operating expenses for the enterprise fund include administrative expenses and depreciation on capital assets. The government has elected not to adopt Financial Accounting Standards Board (FASB) Statements or Interpretations issued November 30, 1989, unless the Governmental Accounting Standards Board (GASB) adopts such FASB Statements or Interpretations.

The primary government reports the following major proprietary fund:

Edmonson County Public Properties Corporation (PPC) - The PPC accounts for the activities of the PPC, a blended component unit of the Fiscal Court. The PPC issued debt to build facilities and additions to the justice center. The PPC entered into a contract, lease, and option with the Fiscal Court and Administrative Office of the Courts (AOC), Commonwealth of Kentucky.

Fiduciary Fund

Fiduciary funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments. The county's agency fund is used to account for monies held by the county in the Room Tax Fund for custodial purposes only. Unlike other funds, the agency fund reports assets and liabilities only; therefore, it has no measurement focus.

The primary government reports the following major fiduciary fund:

Room Tax Fund - This fund accounts for funds received from lodging establishments and remitted to the Edmonson County Tourism Commission. As of June 30, 2009, the Room Tax Fund's assets and liabilities were \$0.

D. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

EDMONSON COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

E. Assets Held For Resale

Assets held for resale, which include vehicles that have been purchased with the intent to sell within one year, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost when purchased.

F. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost when purchased or estimated historical cost when constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 25,000	10-60
Buildings	75,000	10-75
Building Improvements	50,000	10-60
Machinery and Equipment	15,000	3-25
Vehicles	15,000	3-10
Infrastructure	50,000	10-50
Office Equipment	10,000	3-15
Office Furniture	1,000	3-15

G. Long-term Obligations

In the government-wide financial statements and proprietary funds in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes, and financing obligations are reported.

In the fund financial statements, governmental funds recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

**EDMONSON COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009
(Continued)**

Note 1. Summary of Significant Accounting Policies (Continued)

H. Fund Equity

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

"Reserved for Encumbrances" are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

I. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

J. Related Organizations and Joint Venture

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. The primary government's accountability for related organizations does not extend beyond making appointments. Based on these criteria, the following are considered related organizations of Edmonson County Fiscal Court: Edmonson County Industrial Authority, Inc., Edmonson County Ambulance Service, and Edmonson County Recreational Tax Commission.

A joint venture is a legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility. Based upon these criteria, the Edmonson County-City of Brownsville Planning and Zoning Commission is considered a joint venture of the Edmonson County Fiscal Court.

EDMONSON COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009
(Continued)

Note 2. Deposits

The primary government maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of June 30, 2009, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 3. Assets Held For Resale

Assets held for resale activity for the year ended June 30, 2009 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental Activities:</u>				
Assets Held For Resale:				
Vehicles	\$	\$ 308,995	\$ (308,995)	\$
Total Assets Held For Resale	\$	\$ 308,995	\$ (308,995)	\$

EDMONSON COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009
(Continued)

Note 4. Capital Assets

Capital asset activity for the year ended June 30, 2009 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
Primary Government:				
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 602,269	\$ 30,000	\$	\$ 632,269
Construction In Progress	45,327	71,352	(45,327)	71,352
Total Capital Assets Not Being Depreciated	647,596	101,352		703,621
Capital Assets, Being Depreciated:				
Buildings	2,329,976			2,329,976
Vehicles and Equipment	1,189,561	171,529	(52,520)	1,308,570
Other Equipment		57,447		57,447
Infrastructure	862,061	143,504		1,005,565
Total Capital Assets Being Depreciated	4,381,598	372,480	(52,520)	4,701,558
Less Accumulated Depreciation For:				
Buildings	(356,950)	(49,960)		(406,910)
Vehicles and Equipment	(504,937)	(79,389)	47,268	(537,058)
Other Equipment		(3,447)		(3,447)
Infrastructure	(148,475)	(64,016)		(212,491)
Total Accumulated Depreciation	(1,010,362)	(196,812)	47,268	(1,159,906)
Total Capital Assets, Being Depreciated, Net	3,371,236	175,668	(5,252)	3,541,652
Governmental Activities Capital Assets, Net	<u>\$ 4,018,832</u>	<u>\$ 277,020</u>	<u>\$ (5,252)</u>	<u>\$ 4,245,273</u>
<u>Business-Type Activities:</u>				
Capital Assets, Being Depreciated:				
Buildings	\$ 1,420,000	\$	\$	\$ 1,420,000
Total Capital Assets Being Depreciated	1,420,000			1,420,000
Less Accumulated Depreciation For:				
Buildings	(281,160)	(25,560)		(306,720)
Total Accumulated Depreciation	(281,160)	(25,560)		(306,720)
Total Capital Assets, Being Depreciated, Net	1,138,840	(25,560)		1,113,280
Business-Type Activities Capital Assets, Net	<u>\$ 1,138,840</u>	<u>\$ (25,560)</u>	<u>\$ 0</u>	<u>\$ 1,113,280</u>

EDMONSON COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009
(Continued)

Note 4. Capital Assets (Continued)

Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities:

General Government	\$ 63,600
Protection to Persons and Property	26,774
General Health and Sanitation	4,414
Recreation and Culture	6,167
Roads	<u>95,857</u>

Total Depreciation Expense - Governmental Activities	<u>\$ 196,812</u>
--	-------------------

Business-Type Activities

Public Properties Corporation Fund	<u>\$ 25,560</u>
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Total Depreciation Expense - Business-Type Activities	<u>\$ 25,560</u>
---	------------------

Note 5. Short-term Debt

A. Kentucky Association of Counties Advance Revenue Program

In July 2008, Edmonson County Fiscal Court participated in the Kentucky Association of Counties Advance Revenue Program by issuing a note in the amount of \$276,050 for the general fund, with principal being due in January 2009. While the Fiscal Court did not use borrowed funds in order to meet current General Fund expenditures, they were able to reinvest the funds and receive net interest earnings of \$1,380 for the general fund.

B. Changes In Short-term Liabilities

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<u>Governmental Activities:</u>					
Kentucky Advanced Revenue Program	\$	\$ 276,050	\$ 276,050	\$	\$
Governmental Activities Short-term Liabilities	<u>\$</u>	<u>\$ 276,050</u>	<u>\$ 276,050</u>	<u>\$</u>	<u>\$</u>

EDMONSON COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009
(Continued)

Note 6. Long-term Debt

A. First Mortgage Revenue Refunding Bonds, Series 2004

On October 1, 2004, the Edmonson County Public Properties Corporation issued \$1,190,000 of First Mortgage Revenue Refunding Bonds to advance refund the First Mortgage Revenue Bonds, Series 1997, issued by the Edmonson County Public Properties Corporation for the construction of the Courthouse Annex. The 2004 series bonds were issued at various rates from 2.00% through 4.40%. The final maturity date of the 2004 series bonds is March 1, 2023. Total bonds outstanding as of June 30, 2009 totaled \$900,000. Future principal and interest requirements are:

Fiscal Year Ended June 30	Business-Type Activities	
	Principal	Interest
2010	\$ 65,000	\$ 35,153
2011	60,000	33,202
2012	65,000	31,162
2013	70,000	28,953
2014	55,000	26,433
2015-2019	320,000	97,935
2020-2023	265,000	27,720
Totals	<u>\$ 900,000</u>	<u>\$ 280,558</u>

B. Mack Trucks

On July 11, 2008, the Edmonson County Fiscal Court entered into an agreement with the Kentucky Area Development Districts Financing Trust (KADD) in the amount of \$308,995, with principal being due on January 20, 2010. The interest rate was 3.89%. The Fiscal Court used borrowed funds to purchase three Mack trucks for the road department. Principal balance was repaid on June 30, 2009.

EDMONSON COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009
(Continued)

Note 6. Long-term Debt (Continued)

C. Changes In Long-term Liabilities

Long-term liability activity for the year ended June 30, 2009, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental Activities:</u>					
Financing Obligations	\$	\$ 308,995	\$ 308,995	\$	\$
Governmental Activities Long-term Liabilities	\$ 0	\$ 308,995	\$ 308,995	\$	\$
Revenue Refunding Bonds	\$ 960,000	\$	\$ 60,000	\$ 900,000	\$ 65,000
Business-Type Activities Long-term Liabilities	\$ 960,000	\$	\$ 60,000	\$ 900,000	\$ 65,000

Note 7. Employee Retirement System

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 13.50 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

EDMONSON COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009
(Continued)

Note 8. Deferred Compensation

On March 12, 2003, the Edmonson County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by the Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate. These deferred compensation plans permits all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing the Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing Kentucky Public Employees' Deferred Compensation Authority at 101 Sea Hero Road, Suite 110, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

Note 9. Insurance

For the fiscal year ended June 30, 2009, Edmonson County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 10. Prior Period Adjustment

The beginning net asset balances as of June 30, 2008 for governmental activities of Edmonson County Fiscal Court have been restated by \$2,000 from \$5,417,434 to \$5,419,434 due to a prior year check was voided. The beginning net asset balance as of June 30, 2008 for the general fund has been restated for the previously mentioned voided check and the establishment of the E-911 fund which was previously included within the general fund.

EDMONSON COUNTY
BUDGETARY COMPARISON SCHEDULES - MAJOR FUNDS
REQUIRED SUPPLEMENTARY INFORMATION – Modified Cash Basis

For The Year Ended June 30, 2009

EDMONSON COUNTY
BUDGETARY COMPARISON SCHEDULES - MAJOR FUNDS
Required Supplementary Information
Modified Cash Basis

For The Year Ended June 30, 2009

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 762,000	\$ 798,000	\$ 729,324	\$ (68,676)
In Lieu Tax Payments	67,600	67,600	150,322	82,722
Excess Fees	65,000	65,000	44,302	(20,698)
Licenses and Permits	25,500	25,500	25,443	(57)
Intergovernmental Revenue	543,824	1,030,869	780,185	(250,684)
Charges for Services	30,000	30,000	13,434	(16,566)
Miscellaneous	161,400	161,400	95,422	(65,978)
Interest	20,000	20,000	39,553	19,553
Total Revenues	1,675,324	2,198,369	1,877,985	(320,384)
EXPENDITURES				
General Government	874,133	1,497,499	1,292,487	205,012
Protection to Persons and Property	284,559	371,184	166,126	205,058
General Health and Sanitation	229,032	247,317	229,538	17,779
Recreation and Culture	95,343	97,654	80,667	16,987
Debt Service	300,001	298,701	281,226	17,475
Administration	274,700	232,709	209,186	23,523
Total Expenditures	2,057,768	2,745,063	2,259,230	485,833
Excess of Revenues Over Expenditures Before Other Financing Sources (Uses)	(382,444)	(546,694)	(381,245)	165,449
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	219,818	219,818	208,767	(11,051)
Transfers To Other Funds	(153,597)	(337,627)	(93,352)	244,275
Borrowed Money	300,000	300,000	276,050	(23,950)
Total Other Financing Sources (Uses)	366,221	182,191	391,465	209,274
Net Changes in Fund Balance	(16,223)	(364,503)	10,220	374,723
Fund Balance - Beginning (Restated)	16,223	219,473	818,220	598,747
Fund Balance - Ending	\$ 0	\$ (145,030)	\$ 828,440	\$ 973,470

EDMONSON COUNTY
 BUDGETARY COMPARISON SCHEDULES - MAJOR FUNDS
 Required Supplementary Information
 Modified Cash Basis
 For The Year Ended June 30, 2009
 (Continued)

**Reconciliation of Budgetary Schedule to Schedule of Revenues, Expenditures, and
 Changes In Fund Balances - Governmental Funds - Modified Cash Basis:**

Total Revenues per Budgetary Schedule	\$ 1,877,985	
Kentucky Advanced Revenue Program - Interest	<u>(5,176)</u>	\$ 1,872,809
Total Expenditures per Budgetary Schedule	(2,259,230)	
Kentucky Advanced Revenue Program	276,050	
Kentucky Advanced Revenue Program - Interest	<u>5,176</u>	(1,978,004)
Other Financing Sources (Uses) per Budgetary Schedule	391,465	
Kentucky Advanced Revenue Program	<u>(276,050)</u>	115,415
Beginning Fund Balance per Budgetary Schedule (Restatement)		<u>818,220</u>
Ending Fund Balance per Budgetary Schedule and Schedule of Revenues, Expenditures, and Changes in Fund Balances		<u><u>\$ 828,440</u></u>

EDMONSON COUNTY
 BUDGETARY COMPARISON SCHEDULES - MAJOR FUNDS
 Required Supplementary Information
 Modified Cash Basis
 For The Year Ended June 30, 2009
 (Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 1,245,981	\$ 1,487,046	\$ 1,238,907	\$ (248,139)
Miscellaneous	418,200	418,200	287,951	(130,249)
Interest	6,000	6,000	16,244	10,244
Total Revenues	<u>1,670,181</u>	<u>1,911,246</u>	<u>1,543,102</u>	<u>(368,144)</u>
EXPENDITURES				
Roads	1,612,208	1,856,481	898,813	957,668
Debt Service			321,899	(321,899)
Capital Projects	10,000	6,850		6,850
Administration	115,126	115,068	90,149	24,919
Total Expenditures	<u>1,737,334</u>	<u>1,978,399</u>	<u>1,310,861</u>	<u>667,538</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(67,153)</u>	<u>(67,153)</u>	<u>232,241</u>	<u>299,394</u>
OTHER FINANCING SOURCES (USES)				
Transfers To Other Funds	<u>(219,818)</u>	<u>(219,818)</u>	<u>(208,766)</u>	<u>11,052</u>
Total Other Financing Sources (Uses)	<u>(219,818)</u>	<u>(219,818)</u>	<u>(208,766)</u>	<u>11,052</u>
Net Changes in Fund Balance	(286,971)	(286,971)	23,475	310,446
Fund Balance - Beginning	<u>286,971</u>	<u>286,971</u>	<u>376,780</u>	<u>89,809</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 400,255</u>	<u>\$ 400,255</u>

EDMONSON COUNTY
BUDGETARY COMPARISON SCHEDULES - MAJOR FUNDS
Required Supplementary Information
Modified Cash Basis
For The Year Ended June 30, 2009
(Continued)

Reconciliation of Budgetary Schedule to Schedule of Revenues, Expenditures, and
Changes In Fund Balances - Governmental Funds - Modified Cash Basis:

Total Revenues per Budgetary Schedule	\$ 1,543,102	
Proceeds From Sale Of Asset Held For Resale	<u>(280,849)</u>	\$ 1,262,253
Total Expenditures per Budgetary Schedule		(1,310,861)
Other Financing Sources (Uses) per Budgetary Schedule		(208,766)
Special Item per Budgetary Schedule		
Proceeds From Sale Of Asset Held For Resale	<u>280,849</u>	280,849
Beginning Fund Balance per Budgetary Schedule		<u>376,780</u>
Ending Fund Balance per Schedule of Revenues, Expenditures, and Changes in Fund Balances		<u><u>\$ 400,255</u></u>

EDMONSON COUNTY
 BUDGETARY COMPARISON SCHEDULES - MAJOR FUNDS
 Required Supplementary Information
 Modified Cash Basis
 For The Year Ended June 30, 2009
 (Continued)

E-911 FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$	\$	\$ 98,415	\$ 98,415
Interest			2,166	2,166
Total Revenues			100,581	100,581
EXPENDITURES				
Protection to Persons and Property		164,030	13,000	151,030
Total Expenditures		164,030	13,000	151,030
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)		(164,030)	87,581	251,611
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds		164,030		(164,030)
Total Other Financing Sources (Uses)		164,030		(164,030)
Net Changes in Fund Balance			87,581	87,581
Fund Balance - Beginning (Restated)			82,494	82,494
Fund Balance - Ending	\$ 0	\$ 0	\$ 170,075	\$ 170,075

EDMONSON COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2009

Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

EDMONSON COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

June 30, 2009

EDMONSON COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

June 30, 2009

	Jail Fund	Local Government Economic Assistance Fund	Community Development Block Grant Fund	Parks and Recreation Fund	Total Non-Major Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 12,173	\$ 19,790	\$ 57,777	\$ 4,568	\$ 94,308
Total Assets	<u>12,173</u>	<u>19,790</u>	<u>57,777</u>	<u>4,568</u>	<u>94,308</u>
FUND BALANCES					
Reserved for:					
Encumbrances	295	4,160		2,034	6,489
Unreserved:					
Special Revenue Funds	<u>11,878</u>	<u>15,630</u>	<u>57,777</u>	<u>2,534</u>	<u>87,819</u>
Total Fund Balances	<u>\$ 12,173</u>	<u>\$ 19,790</u>	<u>\$ 57,777</u>	<u>\$ 4,568</u>	<u>\$ 94,308</u>

The accompanying notes are an integral part of the financial statements.

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EDMONSON COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
For The Year Ended June 30, 2009

EDMONSON COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

For The Year Ended June 30, 2009

	Jail Fund	Local Government Economic Assistance Fund	Community Development Block Grant Fund	Parks and Recreation Fund	Total Non-Major Governmental Funds
REVENUES					
Intergovernmental	\$ 79,629	\$ 33,659	\$	\$ 87,606	\$ 200,894
Charges for Services	12,346				12,346
Miscellaneous	300			37,665	37,965
Interest		212	1,448	704	2,364
Total Revenues	<u>92,275</u>	<u>33,871</u>	<u>1,448</u>	<u>125,975</u>	<u>253,569</u>
EXPENDITURES					
Protection to Persons and Property	143,825				143,825
General Health and Sanitation		11,300			11,300
Social Services		6,900			6,900
Recreation and Culture		8,885		197,762	206,647
Administration	7,048				7,048
Total Expenditures	<u>150,873</u>	<u>27,085</u>		<u>197,762</u>	<u>375,720</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources	<u>(58,598)</u>	<u>6,786</u>	<u>1,448</u>	<u>(71,787)</u>	<u>(122,151)</u>
Other Financing Sources					
Transfers From Other Funds	<u>60,000</u>			<u>33,351</u>	<u>93,351</u>
Total Other Financing Sources	<u>60,000</u>			<u>33,351</u>	<u>93,351</u>
Net Change in Fund Balances	1,402	6,786	1,448	(38,436)	(28,800)
Fund Balances - Beginning	<u>10,771</u>	<u>13,004</u>	<u>56,329</u>	<u>43,004</u>	<u>123,108</u>
Fund Balances - Ending	<u>\$ 12,173</u>	<u>\$ 19,790</u>	<u>\$ 57,777</u>	<u>\$ 4,568</u>	<u>\$ 94,308</u>

The accompanying notes are an integral part of the financial statements.

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**



The Honorable N. E. Reed, Edmonson County Judge/Executive
Members of the Edmonson County Fiscal Court

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Edmonson County, Kentucky, as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements, as listed in the table of contents and have issued our report thereon dated January 31, 2010. Edmonson County presents its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Edmonson County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Edmonson County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Edmonson County's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the modified cash basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

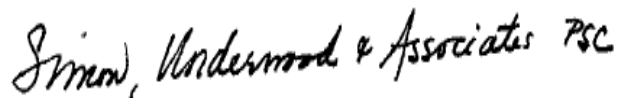
Compliance And Other Matters

As part of obtaining reasonable assurance about whether Edmonson County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

We noted certain matters that we reported to management of Edmonson County, Kentucky, in a separate letter dated January 31, 2010.

This report is intended solely for the information and use of management and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink that reads "Simon, Underwood & Associates PSC". The signature is written in a cursive, flowing style.

Simon, Underwood & Associates PSC

January 31, 2010

**CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

EDMONSON COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2009**


CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
EDMONSON COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2009

The Edmonson County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.

A handwritten signature in black ink, appearing to read "N. E. Reed", written over a horizontal line.

N. E. Reed
County Judge/Executive

A handwritten signature in black ink, appearing to read "Betty Ann Bullock", written over a horizontal line.

Betty Ann Bullock
County Treasurer

